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SUBJECT: Planning Minister on Economy and Reform  
REF: A) Amman 1430

- B) Amman 1118
- C) Amman 629
- D) Amman 1523

¶1. (U) SUMMARY. On March 2, Planning Minister Suhair Al-Ali told visiting U.S. military officers that Jordan faces important economic and security challenges in the near term, but that ongoing reforms had built a strong basis for longer-term development. She also outlined Jordan's agenda for political reform legislation. END SUMMARY.

#### Political Reform

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¶2. (SBU) Minister Al-Ali said the GOJ would "forcibly tackle" political reform. New laws regarding municipalities, political parties, and the electoral system were the priorities of PM Bakhit's cabinet. She expected the government to introduce into parliament a new bill soon to provide for municipal elections throughout the country in the coming months. Note: At present, mayors and half of municipal councilors are appointed. Post expects the government's bill will provide for the election of all of these officials, except in Amman, where governments have always appointed mayors. End note.] The cabinet was also working on new legislation that would replace the current law governing political parties; its goal was to encourage political engagement at the grass-roots level, and the growth of consolidated political parties based on broad economic and political platforms. Jordan's parties today, she complained, are all based on traditional tribal and religious lines. She said the new municipal elections law would include provisions guaranteeing that at least 20 percent of council members are women.

¶3. (SBU) The third major item on the agenda for reform legislation was a new national elections law. It was under discussion in the cabinet, and would not reach parliament in 2006. The GOJ planned to open a "public dialogue" aimed at shaping a national consensus on changes to Jordan's electoral system, and then move forward with drafting legislation and winning parliamentary support. In addition, Al-Ali outlined the Bakhit government's plans for good governance initiatives, including the establishment of an Anti-Corruption Commission and new financial disclosure requirements for government officials.

#### Educational and Social Reform

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¶4. (U) Jordan, she explained, could not place its hope in oil or other natural resources, and needed instead to develop human talent. The GOJ had focused on the development of English as a second language in primary and

secondary schools, and on information technology programs in the universities. She said USAID and other U.S. assistance played an important role in the progress Jordan had achieved toward educational reform, and in Jordan's successful drive to achieve 90 percent adult literacy. Al-Ali said that a World Bank gender assessment showed that Jordan's best students were female; but that women only comprise 13-20 percent of the work force. She said King Abdullah and the GOJ were committed to increasing women's participation in

the economic and political life of the country.

#### Economic Reform

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¶5. (U) To succeed in the changing global economy, Jordan's work force needed to shift toward more service-oriented fields. The Minister expected leading growth sectors to include financial services, consulting, real estate/tourism ventures from the Gulf, and pharmaceutical production. In addition, it would be important for Jordan to remain a port and hub for Iraqi business. Jordan's Qualifying Industrial Zones (QIZs) had benefited the economy, but many in Jordan had hoped for more value-added and employment opportunities. Note: Manufacturers in Jordan's QIZ enjoy tariff-free access to the U.S. market; most QIZ exports are garments. (Ref C) End note. Jordan would make greater use of its free trade agreement with the U.S. to develop its services sector.

#### Some Daunting Economic Challenges Likely in 2006

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¶6. (U) Al-Ali explained that liberalization and reform of the Jordanian economy, through its accession to the World Trade Organization and numerous free trade agreements, had helped keep Jordan's real GDP growth over 7 percent since ¶2004. However, she recognized that some slackening of these

very high growth rates was likely. She identified the chief challenges to the Jordanian economy as: continued high world oil prices, unemployment (which she pegged at 16 percent), and a decrease in tourism revenues -- first quarter 2006 revenues were down 30 percent over the same period in 2005 -- which she attributed to the November 2005 hotel bombings.

¶7. (SBU) The end of oil subsidies was the most immediate economic problem. She said Saudi Arabia was phasing out the assistance it had provided Jordan in recent years, which enabled the GOJ to purchase oil and then provide fuel to Jordanian consumers at subsidized prices. At the same time, word oil prices were over forty percent higher than in March ¶2005. The combination had a detrimental impact on the Jordanian economy, and led to a general increase in the cost of living. Over 14 percent of Jordan's population was living below the poverty level (set at approximately JD 420 or USD 600 per year).

¶8. (U) Despite these challenges, the government was still committed to bold restructuring measures, which included the elimination of the fuel subsidies by 2007 (Ref D). She was optimistic that Jordan could move beyond its dependency on oil in the coming years; Jordan would explore natural gas and, perhaps, nuclear energy as solutions to its future energy needs.

#### Security and Jordan's Request for Additional Help

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¶9. (SBU) Terrorism was Jordan's "most immediate crisis," remarked Minister Al-Ali. She said Jordan had just thwarted yet another terrorist plot against a major civilian facility on March 1 (ref D). The Minister asserted that Jordan's friendship with America will make it a likely target again in the future. Jordan would need continued U.S. security

and economic assistance to meet expected challenges in the near-term.

¶10. (U) The fifteen Air War College students and faculty were accompanied by AID Mission Director, Air Attache and conoff (notetaker).

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